



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop an
Electricity Integrated Resource Planning
Framework and to Coordinate and Refine
Long-Term Procurement Planning
Requirements.

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Rulemaking 16-02-007
(Filed February 11, 2016)

**AMERICAN WIND ENERGY ASSOCIATION CALIFORNIA CAUCUS'
RESPONSE TO THE PETITION OF JOINT PARTIES FOR MODIFICATION OF
DECISION NO. 18-02-018**

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In accordance with Rule 16.4(f), the American Wind Energy Association California Caucus (“ACC”) responds to the Joint Parties’ petition for modification of D.18-02-018. Members of ACC include global leaders in utility-scale wind energy development, ownership, and operations, and many members also develop and own other energy infrastructure such as transmission lines, utility-scale solar, and energy storage. ACC is unanimous in its commitment to the need for—and widespread economic benefits derived from—a diverse and balanced resource portfolio in California that reliably and affordably meet state energy demands and environmental goals. The ACC strives to direct the economic and environmental benefits of utility-scale wind energy to California.

As discussed below, ACC agrees that the IRP decision (D.18-02-018) does not meet the requirements set forth in D.18-01-022. To fix this disconnect, ACC supports additional consideration of procurement to replace Diablo Canyon Power Plant (“Diablo”) in *this* iteration of the IRP. The Commission should provide direction to utilities to consider how renewable resources can fulfill the system needs that are currently served by Diablo. Procurement in the

2018-2019 IRP cycle will best minimize ratepayer costs as already contemplated in the adopted Reference System Plan (“RSP”).

If the Commission is going to take advantage of the cost savings potential to replace the system needs left by Diablo Canyon through Production Tax Credit (“PTC”) eligible wind resources, it must make that decision now due to the near term expiration of those tax credits. The Commission should grant the Petition, allow a short comment period for proposals, and then provide additional direction through resolution to PG&E and any other affected LSEs by Q2 2018. This give LSEs have ample time to make adjustments to their August 2018 IRP filings.

DISCUSSION

I. ACC Agrees with the Basis for the Joint Parties’ Petition for Modification.

ACC agrees with the Joint Parties that the IRP Decision (D.18-02-018) needs to be modified to provide direction regarding procurement of GHG free resources. Ordering Paragraph-5 (“OP-5) of D.18-01-022 states (in part) that “efforts to avoid an increase in greenhouse gas emissions relating to the retirement of Diablo Canyon, *including any replacement procurement*, will be addressed in the Integrated Resource Planning proceeding” (emphasis added). The IRP Decision, which was issued after the Diablo Decision, failed to fulfill OP-5. ACC understands OP-5 to require consideration of retirement in this iteration of the IRP insofar as OP-5 uses of the phrase “will be addressed”. The IRP Decision only requires PG&E to present “alternative portfolios . . if it proposes or intends to retire Diablo Canyon at any time prior to the expected 2024/2025 retirement date”.¹ The language in the IRP Decision places a conditional filing requirement on PG&E and does not effectuate OP-5.

¹ D.18-02-018 at pp. 154-155.

In addition, there is an important policy argument for granting the petition. Doing so would effectuate the ratepayer requirements of SB 350. OP#5 should be explicitly addressed in this iteration of the IRP cycle because doing so will enable the Commission to achieve one of the fundamental tenants for the IRP: “minimize impacts on ratepayers’ bills.”² The adopted Reference System Plan (“RSP”) supports the selection of tax-eligible, new procurement and selecting those resources through a preferred system plan in this iteration of the IRP will minimize ratepayer costs as compared to waiting until the next cycle.

II. Additional Direction Regarding Diablo Replacement Can and Should be Given to PG&E in Preparing its LSE-Specific IRP due August 2018.

Green Power Institute, et al. (“Joint Parties”)³, filed early comments on the Petition for Modification on March 26, 2018. In their opening comments, these parties argued for a separate track to consider modeling updates and other matters necessary to fully evaluate the replacement needs presented by Diablo. ACC appreciates that additional modeling may be necessary, particularly as it relates to identifying the resources needed to fulfill the local needs left by Diablo. However, ACC is concerned that a separate track will take considerable time and might not provide PG&E (and possibly other LSEs) with a meaningful opportunity to model and analyze Diablo ahead of their August 2018 IRP filing deadline.

At the same time, waiting until the next IRP cycle will forego much of the tax benefits RESOLVE already identified as needed to meet a net-short arising in the 2024 - 2025 timeframe. To capture these benefits and also preserve the Commission’s need to evaluate the local needs for Diablo, the CPUC should address the system needs presented by Diablo retirement in this

² Cal. Pub. Util. Code Sec. 454.52(a)(1)(D).

³ Green Power Institute, et al. (“Joint Parties”) IRP PD Comments in R.16-02-007 at p. 5.

iteration of the IRP. The Commission should direct PG&E to include tax eligible resources in its 2018 IRP irrespective of how it evaluates its future system needs due CCA departure. ACC is optimistic that the costs of any procurement PG&E may conduct in the IRP can be addressed through the pending changes in the PCIA proceeding. Based on progress in Track 1, we believe the PCIA proceeding can and should be resolved this year.

III. The System Needs Presented by Diablo's Retirement Should Be Addressed in This Iteration of the IRP Because Waiting until the Next Iteration Will Not Minimize Impacts on Ratepayers' Bills.

Energy Division's modeling in this proceeding has indicated time and again significant savings associated with procurement of tax eligible procurement, which are positively compounded by the statutorily compelled diversity benefits associated with high capacity factor wind. Based on this modeling, the Reference System Portfolio includes 1,100 MW of wind in 2018 and 9,000 MW of solar PV in 2022, and staff concluded that postponing this zero-emission procurement until after 2022 has a potential cost of \$143,000,000/year (levelized 2016 dollars) statewide.⁴ Furthermore, the record in this proceeding indicates that the savings may be underestimated due to various modeling inputs and assumptions.⁵ Neither the record nor the modeling suggests that the benefits could be overstated due to inputs or assumptions, as the Commission suggests.

ACC fundamentally disagrees with one of the conclusions in D.18-02-018 that "[b]uying additional resources now may lock in higher-than-necessary prices than those that would otherwise occur if renewables were procured commensurate with load growth and portfolio

⁴ See November 2, 2017 CPUC Energy Division Staff Presentation in R.16-02-007, available at: <http://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/UtilitiesIndustries/Energy/EnergyPrograms/ElectPowerProcurementGeneration/irp/17/CPUC%20All%20Party%20Meeting%20on%20IRP%20Nov%202nd%202017%20Final.pdf>.

⁵ CEERT, LSA, AEE October 26, 2017 Comments.

need.” As ACC noted in comments on the Proposed IRP Decision, “ACC appreciates the optimistic look at continued cost reductions, so much so that we entered into the record a commissioned study by Energy Strategies which analyzes the projected cost difference of wind projects with and without PTC savings for retail customers. The study illustrates that even accounting for a 7.7% reduction in costs out to 2026, as projected by the Department of Energy Wind Vision Report⁶ 100% PTC-eligible wind projects procured in 2018 offer a relative savings of 49% compared to those same resources procured in 2026.”⁷ Based on this evidence from the IRP proceeding, a wait-and-see approach will not minimize impacts on ratepayers bills as required by the IRP statute.

A. The Proposed Decision Fails to Direct Procurement of Replacement Power for the Retirement of Diablo Canyon Nuclear Power Plant.

D.18-02-018 considers the interaction of the federal tax credits when it states that:

The expiration and/or renewal of the ITC and PTC would affect the optimal timing for purchasing additional solar and wind. This also interacts with the timing of the replacement of the power from the Diablo Canyon nuclear plant, because, rather than waiting until the plant is retired (assuming that occurs), the model essentially chooses to pre-purchase the solar and wind power that would otherwise be needed later in the next decade, in order to take advantage of the cost savings associated with the ITC and PTC. In other words, the replacement power in the amount of Diablo output is already being replaced by GHG-free resources prior to the retirement of the nuclear plant. And in all scenarios, the GHG emissions constraints in the CAISO area are met or exceeded.⁸

⁶ Department of Energy Wind Vision Report: <https://energy.gov/eere/wind/wind-vision>.

⁷ See January 17, 2018 ACC IRP PD Comments in R.16-02-007 at p. 6.

⁸ See D.18-02-018 at p. 41, available at: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M209/K771/209771632.PDF>

ACC asserts that given the need for additional zero-GHG generation to replace the carbon-free nuclear generation, the availability of federal tax credits for RPS-eligible, zero-GHG resources, and the Commission's previous stated intention in the Diablo Canyon proceeding to consider replacement procurement as part of the Integrated Resource Planning process, the Commission should recognize the need for additional replacement power to fill the gap created in 2024/2025 when Diablo Canyon retires. In the interest of long-term planning, and to ensure low-cost and reliable achievement of our GHG reduction goals, the Commission should authorize procurement of GHG-free replacement power in time to capture the tax benefits of renewable resources.

Contracts can be structured now (e.g., through put-options) to enable near term financing by not requiring delivery until 2024 but allowing the LSE to have the option to put an early call on the resource within 12 months. In the interim, the Diablo replacement projects would presumably operate as merchant facilities.

IV. Conclusion

The Commission should grant the Petition for Modification and specifically direct LSEs to address the replacement of Diablo Canyon Power Plant through the procurement of new GHG-free resources as contemplated in the Reference System Plan.

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Respectfully submitted,

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